

ELECTRIC AFFORDABILITY PROPOSAL

GBIC and the Lake Champlain Regional Chamber of Commerce

Introduction:

During the 2006 Legislative Session, the General Assembly passed H.859, which called upon the Public Service Board (PSB) to draft a legislative proposal for an electric affordability program, considering the following goals:

1. Payment assistance provided to low-income customers at and below 150% of the Federal Poverty Level;
2. Automatic screening and enrollment methods of eligible customers through information obtained from existing means-tested financial assistance programs; and
3. Funding provided by all customer classes in an equitable and reasonable manner and that results in the reimbursement of net incremental costs incurred by electric utilities to implement the program, taking into consideration the benefits as well as the costs.

Although the Legislature has charged the PSB with the task of creating an electric affordability program, the Lake Champlain Chamber and GBIC maintain that such programs do not address the true cause of affordability issues. “Affordability” is better achieved by maintaining downward pressure on rates, job development, and lowering Vermont’s overall cost of living.

However, because the Legislature directed the development of a proposed program, and that proposal may have implications on the costs of electrical service, we contribute the proposal below for purposes of discussion.

Program Objectives:

1. Reduction of disconnects.
2. Contribute to and provide incentives for energy efficiency.
3. Promote sustainable self-sufficiency. Reduce out of pocket expenses through conservation.
4. Transparent and accountable funding stream subject to normal process of prioritization and allocation through legislative budgeting.
5. Increase awareness of efficiency measures and available assistance programs.
6. Predictable program expenses.
7. Program simplicity = lower cost of administration.
8. Integration with existing low-income assistance programs for more comprehensive assistance and more efficient government (operated through the Agency of Human Services).

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Funding Mechanisms:

Social programs should be funded through General Fund, not a surcharge or tax on electricity usage or revenues – an electric affordability program should be funded through the General Fund and be on the same playing field as other reasonable and valid social programs. The purpose of this program is poverty alleviation; costs should not be borne by electric ratepayers in order to avoid the traditional legislative budgeting process.

A proposed rate or usage surcharge is analogous to cost shifting in health care, which is recognized as poor public policy, causing market distortions and compromising the competitiveness of Vermont businesses.

The program should be revenue-neutral to utilities, given that write-off of arrearages is already assumed in setting rates.

An efficiency program for households below 150% of poverty should be funded from residential portion of just-approved increase in efficiency charge.

Program Design:

Providing subsidy for those at or below 150% of poverty would include [18%] of Vermont households. Direct assistance should be targeted to the smaller, most vulnerable population at the lowest income levels. A tiered program could be implemented, providing an initial block of low-cost power for households below 125% of poverty, with a requirement to participate in an efficiency program (funded through EEU) to receive benefits.

The initial block should be limited to a “basic needs” amount for an efficient household, which would be below average consumption, to drive and reward conservation. Benefits should be available only up to a predetermined “prudent electric usage” cap. The structure must encourage conservation, not create an incentive for additional consumption.

Those above 125% of poverty would be enrolled into an efficiency program. Efficiency services will be prioritized for delivery to lowest income households, which tend to have higher than average consumption.

In order to increase the impact, households pre-qualified through other programs, such as LIHEAP, should be auto-enrolled. Any disconnect warnings will be accompanied by an automatic referral to the electric affordability program. The Agency of Human Services will oversee the program, analyzing the referrals and performing all of the means-testing for the program.

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